Minutes from Finance Committee Meeting
7/9/2014

Chairman Wally Hess called the meeting to order at 7:05pm in the Police Station Conference Room. Also present were David Coyne, Mike Hughes, June Michaels, Beth Dailey and Bill Wagner. Also attending were Erin Battistelli, Carrie Arnaud and Mitch Vieira.

We listened to and participated in a discussion of the Town's bond rating and future borrowing needs and costs with Peter Frazier and Abby Jeffers of First Southwest Company, our bond advisor. The discussion included:

1. A review of the value of different ratings,
2. How Rockport measures up, and how it compares to AAA rated towns,
3. The elements of ratings and the weightings of each in determining the final rating. These are:
    a. 30% - **Economy**. Rockport is included in the Greater Boston economic zone, which is rated to be **Very Strong**.
    b. 20% - **Management**. Operating management is **Strong**, and financial management practices are **Standard**. We discussed ways to improve the latter which included additional written policies and procedures, and more long term planning. We have already started this work.
    c. 10% - **Institutional Framework**, which refers to the state law and regulation environment, which is **Strong**.
    d. 10% - **Liquidity**. This refers to our cash and fund levels, and low debt service relative to other expenses. Rated **Very Strong**.
    e. 10% - **Budgetary Performance**. This refers to our adherence to budgets, and our typical Free Cash position at year-end. We would be stronger if we had some significant Excess Levy. Our rating here is **Strong**.
    f. 10% - **Budgetary Flexibility**. Similar to Budgetary Performance with more emphasis on reserve levels. Rating is **Very Strong**.
    g. 10% - **Debt & Contingent Liabilities**. Our total debt is low relative to RE market value, it matures quickly, we are up-to-date with payments to ERRS, but our OPEB position is weak. Overall rating is **Very Strong**.

We spent some time discussing our projected debt service, which will increase by over $500,000 in FY16 unless we make further adjustments. There are some potential adjustments that should be studied, both up and down, but debt service will clearly increase substantially. This may make our budget tight next year.

Minutes approved:
May 12th – moved by Mike Hughes, seconded by Bill Wagner, approved unanimously,
June 9th– moved by June Michaels, seconded by Bill Wagner, approved unanimously,
June 30th – moved by David Coyne, seconded by Bill Wagner, approved unanimously.

Two year-end transfers totaling $812.59 – moved by June Michaels, seconded by Mike Hughes, approved unanimously.

We discussed the process for the five-year forecast. Each member will head up the study of expense growth for the department for which he or she is the liaison. In addition, a number of other studies must be done to adequately forecast the income and expenses. We decided to do these assignments when all members are present.

The meeting adjourned at 9:10 PM.